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National
Home Center News®

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Interco Inc. has no plans to sell Central Hardware as part of its restructuring plan. But if the company fails to produce after-tax profits of $1.15 billion, Central might be put on the block. NHCN photo

Central Hardware safe for the moment in Interco plan

By Gary S. Ruderman

ST. LOUIS — Central Hardware is among the companies Interco Incorporated plans to keep in a restructuring and recapitalization plan formulated in the face of a hostile takeover.

But if the St. Louis-based conglomerate is unable to produce aftertax profits of $1.15 billion, one contingency would be to put Central on the block, according to sources knowledgeable about Interco's plans.

In the recapitalization plan to secure a $2.025 billion line of credit from a consortium of banks, Interco proposed on Sept. 20 to sell 14 of its 20 companies for the payback. Interco had sales of $3.3 billion last year.

According to documents filed that day with the Securities and Exchange Commission and confirmed by a spokesman for Interco's senior vp-finance Eugene Smith, Central would remain a part of the new, public Interco. The home center retailer would become part of the new Interco core of Lane Co., Broyhill Furniture Industries, Converse and Florsheim shoe companies.

(Continued on page 55)

Suppliers bite bullet despite hikes in raw material costs

By Edward McKinley

NATIONAL REPORT — Retail prices are following the upward spiral of raw materials costs, but probably won't go high enough to drive away many home center customers.

That's because manufacturers and retailers are making hard decisions to keep down wholesale and retail prices, including the acceptance of tighter margins for every link in the distribution chain.

Almost without exception, manufacturers of paint, electrical products and tools—to name some of the product lines affected by raw material price hikes—said they are absorbing part of the their increased costs.

Those increases, suppliers said, will total 10 to 15 percent this year for steel plate, 50 percent for aluminum, 30 to 40 percent or more for copper, 50 percent for linseed oil, 30 percent for soybean oil, 8 to 22 percent for latex resins and 35 to 100 percent for titanium dioxide, an element used in paint.

Nickel and cadmium have quadrupled to $4 and $8 a pound, respectively, which is having a significant impact on the production of one of the industry's hottest items: cordless power tools.

Reluctant to pass costs on

For some companies, raw material cost hikes present unsavory "either/or" propositions. The Cleveland-based Glidden Co. may be forced to reassess some marketing expenses to compensate for the jump in cost of styrene, a

(Continued on page 55)

Wyeth Co. fighting off vendor lawsuits as sales volume drops

By Gary S. Ruderman

CHICAGO — After more than a year of scheduling debt payments, Wyeth Co., the St. Joseph, Mo.-based hardlines wholesaler, is working again to stave off vendor lawsuits and keep its head above water as declining service levels have adversely affected sales volumes.

Wyeth officials met Oct. 4 here with credit managers representing vendors supplying its marketing group, Liberty Distributors. A similar "informal composition of creditors" meeting in August was held with 16 vendors not supplying Liberty-affiliated distributors.

Last fall, Wyeth president Max Wyeth defended his company's restructuring, including its scheduling of debt payments to 30 percent of its non-Liberty vendors (*NHCN*, Oct. 19, 1987). But now, as explained by Wyeth's independent financial advisor, Michael Lissner of Chicago, Wyeth has accumulated excessive debt that now includes major Liberty program vendors.

Max Wyeth would not specify the amount of payables Wyeth is negotiating. But creditors who met with company officials Aug. 24 were told Wyeth owes a total of

(Continued on page 55)

Diamond Lumber poll shows most builders prefer Bush

By Milford Prewitt

DALLAS — By a ratio of 7 to 3, Diamond Lumber's contractor customers overwhelmingly voted for Vice President George Bush in a presidential straw poll conducted nationwide.

See page 7 for more on Bush and Dukakis

All of the chain's 64 stores served as polling places and some 5,032 votes were cast. The result: Bush garnered 71 percent while Massachusetts Governor Mike Dukakis earned 29 percent.

Dukakis did not win in a single geographic region where Diamond stores operate. His closest and best performance was losing in the Northeast by a ratio of 2 to 1.

Jerold Grubstein, Diamond's president, said the vote should give both presidential candidates a few clues about what the nation's builders are thinking. At the same time, Grubstein said the vote—which received news coverage by local media in the numerous towns where the company operates—gives Diamond Lumber a unique opportunity to advance the positions of its contractor customers.

(Continued on page 56)

In tool belt battle, synthetics and leather net equally strong sales

By Tom Bagsarian

NATIONAL REPORT — The purpose of tool belts has not changed over the years. But the products themselves recently have undergone enormous transformations.

Merchandising

A classic struggle is already underway that pits old versus new, traditional against modern, and more specifically, synthetic versus leather. Belts made of denim, nylon and other materials are appearing with regularity at retail, giving contractors and DIYers more of a choice in quality and price point.

However, while suppliers and dealers believe there is room for these products made

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Dealers are finding that synthetic tool belts sell just as well as traditional leather. NHCN photo

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Summer fires shouldn't affect forest products 54

NEWSBREAKS

BLACK & DECKER MOVES INTO JAPAN: The world's largest power tool maker, looking to penetrate Japan's $500 million tool market, entered into a marketing and distribution pact with Shin-Daiwa Ltd., a producer of two-cycle engines and electric tools. B&D, which closed its own Japanese sales office in 1981, will have Shin-Daiwa's 200-man sales force market around 24 of B&D's industrial tools for summer shipment and intends eventually to triple that number, said vp-public affairs Barbara Lucas.

INDUSTRY UPDATE

New York investment group ponders bid for Wickes Cos.

NEW YORK — The Blackstone Group, a New York investment group specializing in friendly takeovers, may offer $13 to $15 per share for Wickes Cos., the Santa Monica, Calif., corporation, according to knowledgeable sources quoted in *The Wall Street Journal*.

Two months ago, a group led by Wickes' management said it would take Wickes private in a $573.8 million buyout that included paying $12 per share for 83 percent of the company's common stock. It left the door open, though, for other bidders but has had trouble drumming up investor interest, reported the *Journal*.

The newspaper quoted one investor who said there were questions about Wickes' future profitability in light of its more than $2 billion in debt. In addition, "scores" of potential buyers have balked at the $16 to $18 per share that Bear Stearns, the investment banker handling new bids, was initially asking for the company.

T.H. Rogers closes 40-yr.-old unit, builds new facility

OKLAHOMA CITY — Adjusting to changes in a lackluster economy, the T.H. Rogers Lumber Co. is closing its 40-year-old Lebanon, Mo., store and moving into a new 8,000-square-foot, four-acre unit one mile away that executive vp and general manager Bill Payne hopes will be open by Nov. 1.

The current downtown Lebanon store does about 65 percent in DIY business and Payne hopes to increase that DIY share at the new facility by offering a broader product line and more parking spaces.

An advertising campaign will also be used to draw this segment, he added.

T.H. Rogers operates 27 stores in Oklahoma, three in Missouri and one in Arkansas.

While that area of the country is suffering due to the recent performances of the oil and farm economies, Payne added that there has been "a little improvement this year."

Payne also expects 1988 sales to reach $25 million, while as recently as four years ago annual sales were $30 million.

Coast board of directors ponder $37M acquisition proposal

DENVER — Outside directors on the CoastAmerica Corp. board of directors have begun to consider a $37 million acquisition proposal from New York investment firm E.M. Warburg, Pincus Capital Co., L.P.

Executive vp and cfo James R. Holland Jr. said he does not know how long it will take the independent committee to make a "recommendation to the full of board of directors and the shareholders."

He said the committee's decision will be based on its "review of the proposal and deliverance of a fairness opinion by an independent investment banker," Atlanta-based Robinson Humphrey.

CoastAmerica notified the SEC in September that it was approached by the Warburg Pincus investment firm which said it wanted to take control of about 47 percent of outstanding shares (*NHCN*, Oct. 3). The deal would essentially take CoastAmerica private.

Purchase makes Wickes plc major player in British market

LONDON — Wickes plc is scheduled to pay between £235 million and £240 million for the Hunter Group on Oct. 7, £178 million of which will be in new shares.

The purchase transforms Wickes plc into a major player in the British home improvement industry.

The acquisition (*NHCN*, Sept. 5) gives Wickes 180 contractor-oriented stores to complement its 43 English stores, and control of one of Britain's major importers and distributors of lumber and plywood.

"We are looking forward to generating the benefits of the transaction and working together with Hunter," said Henry Sweetbaum, chairman of Wickes plc in a telephone conversation with *NHCN*.

Wickes is already negotiating to sell off eight of Hunter's non-timber related businesses which, have an estimated value of £52 million.

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Scotty's closes bargain outlets for reasons of profit, philosophy

By Milford Prewitt

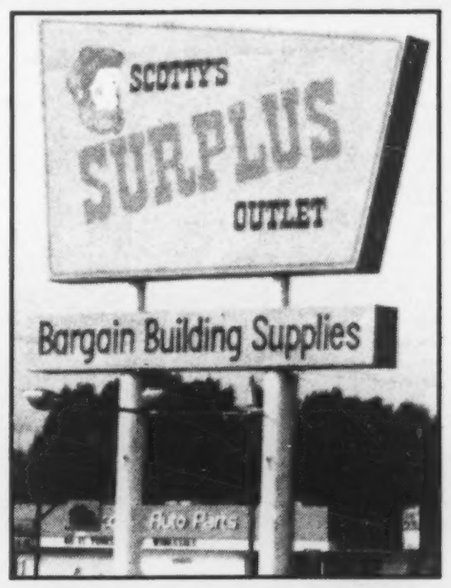
WINTER HAVEN, Fla. — A five-year-old experiment at Scotty's is coming to an end with the company's shuttering of its bargain outlets.

Disappointed with the units' performance and worried that the concept marred Scotty's principal retailing philosophy, management is closing out its two Factory Outlet Warehouse units and will sell the real estate.

The Factory Outlet Warehouses were located in St. Petersburg and Winter Haven, Fla. The employees will be absorbed into traditional Scotty's units.

Richard Martineau, executive vp, said the 156-unit chain had been operating bargain outlets for the past five years and at one time had as many as five such stores running.

He said from its inception the bargain outlets always were viewed as an experiment within the company. While the operations provided a quick and easy outlet for slow-moving merchandise and gave the company a chance to take on deals from closeout specialists, the value of the operations came into question.



Scotty's is ending a five-year experiment by closing its bargain outlets. NHCN photo

The promotions that were run at Scotty's full-line units drew more customers and were more effective than the lure of the closeout pricing at the Factory Warehouses, Martineau indicated.

He said sales and profit at the two remaining factory outlets were too marginal to justify the units' continuation.

"They just didn't generate the sales volume we wanted," he said. "Both were profitable, but only marginally so."

But beyond that, the uncertainty of maintaining the depth of product through closeout merchandising created some identity problems," Martineau said.

"I don't think the customers had the confidence that they could always depend on finding the items they wanted," Martineau said. "You run into an image problem when you can't provide a consistent offering. It's one of the marketing problems with the concept.

"To try and overcome that, we advertised and promoted and it just got to be too expensive."

The decision to close the Factory Warehouses comes at a time when Scotty's is looking to find ways of streamlining its operations. It has restructured its management team and is evaluating several facets of its business to bolster sales and earnings, which have been modest in recent years.

O'Malley increases contractor emphasis

By Brad Altman

PHOENIX — Troubled O'Malley Lumber Co. closed two retail stores here and in Tempe, Ariz., last month, lowering its unit count to 11 in Arizona and Texas.

The lumber company's retail operations are "looking for a return to profitability," president Ted O'Malley said. He added that "discontinuing or consolidating some other operations" is under review.

However, the O'Malley executive denied reports that the company plans to exit DIY retailing. O'Malley's nonretail businesses include a wholesale building supplies distribution company and a glass and millwork company.

"We are decreasing our emphasis on consumer and increasing our emphasis on contractor," O'Malley said. "Contractors are where our strength is."

Phoenix observers say that O'Malley has suffered by the invasion of warehouse operators to the desert market. HomeClub opened a unit next to a Price Club in Glendale, Ariz., in early September. O'Malley said Phoenix is "overstored" with DIY operators which include The Home Depot, Payless Cashways and Wickes-owned Ole's.

The shuttered retail store in Phoenix was located at 35th Avenue and Bell Road. The closed Tempe unit was a dual contractor-consumer yard.

NHD takes on new name; will open DC

By Elizabeth Brent

STOUGHTON, Mass. — The adoption of a new name, NHD Stores, is just one of the many changes taking place at the former National Hardgoods Distributors, as it strengthens its operations in the New England market.

The 31-unit chain, which added three stores this fall, has six more slated for 1989 including three in the Manchester, N.H., area.

In addition, it will open a new 115,000-square-foot distribution center by January with the capacity to serve a total of 45 stores with room on site for further additions.

As it seeks a clearer image NHD Stores changed its name in July and is refining its merchandise mix to accentuate hardgoods. It has totally eliminated linens and cut back on giftware and automotives while broadening its offering in paints, tools and electricals.

This new focus, together with a sharpening of its print advertising, helped the chain's sales increase by 11.6 percent in the first six months of 1988 to $25 million. This represented a 9.3 percent increase on a comparable store basis.

The new DC in Franklin, Mass., will more than double NHD's existing warehouse space servicing Rhode Island. Its site just off Route 495 gives NHD Stores better access to its store network than its two Rhode Island warehouses.

It will also improve buying power and boost direct factory purchases from 50 percent to 75 percent of its mix, according to Sheldon Woolf, the chain's president.

"We will have a better procurement of foreign imports," said Woolf. "We've never had the facility to allow buying in the most economic way."

This fall NHD Stores opened in Newton and Brockton Mass, with one store in Manchester, N.H., scheduled for Nov. 6.

"The real estate situation is encouraging. There is now an inventory around. We can be more selective and get store prices and the area that works well for us," said Woolf. He attributes this improvement to the slowdown in expansion by specialty clothing retailers.

Construction has already begun on the three stores slated to open in the spring in Raynham, Mass., south of Boston; Plymouth, Mass.; and Cumberland, R.I. In addition NHD Stores is negotiating leases for three stores in southern New Hampshire.

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Synthetic and leather tool belts net equally strong sales

(Continued from page 1)
from modern materials, they also think leather will hold its own since people are slow to change their buying habits, especially professionals.

McGuire-Nicholas, the City of Commerce, Calif.-based supplier with more than 50 percent market share in the category, this summer became the official licensee for Wrangler, the blue jeans manufacturer, and will supply a cotton denim belt bearing Wrangler's label for this Christmas buying season.

McGuire's senior vp Peter Wallace described the association as a deliberate attempt to capture the blue collar customer familiar with Wrangler products. "Both [companies] have such good brand recognition, so it's a good match."

Less expensive material

Another new item popping up in home centers is a tool belt made of Cordura Plus, a nylon fabric designed by DuPont., which is seen as lighter, stronger and more comfortable to wear than leather.

Jim Matson, product manager at Vermont American of Lincolnton, N.C., which is distributing this product, said Cordura Plus is also less expensive than leather. "Old school fellas say leather's better, but people are always willing to try something different," he added.

An increase in the price of leather has made these new materials more attractive, according to Mike Dancyger, president of Custom Leathercraft in Los Angeles, a supplier of tool belts which also makes Cordura belts.

But deep penetration of these products into what is a very conservative tool market was disputed by Dancyger and even those suppliers bringing out synthetic lines. Wallace and others didn't think the introduction of new materials for tool belts would hurt leather sales badly.

Builders prefer leather

National Lumber & Supply, the 20-unit home center chain based in Fountain Valley, Calif., is one chain that will soon offer nylon tool belts to its customers.

However, the chain's hardware buyer Tom Connell doesn't anticipate a major shift in sales. "I don't think it's going to take over leather," he said. Although National caters heavily to DIYers, Connell sees contractors sticking with leather belts because "it's more traditional."

Jim Foley, tool manager at the single-unit Knecht Lumber Mart in Rapid City, S.D., added that contractors in his market would stick to "top of the line" leather. He noted, though, that DIYers may be tempted by new materials since they tend to look more at price than quality.

Tool belts, say dealers such as Rick Hecht, vp at the single-unit Community Do-it Center in Maryland Heights, Mo., are planned purchases more than impulse buys and pros usually buy more expensive belts in their second purchases.

Don Brewer, hardware and tool buyer at the 34-unit Lloyd Home & Building Centers of Danbury, Conn., said a contractor who uses a tool belt five days a week wants one to last a long time, while a DIYer "needs something to hold a hammer or screwdriver while he works on a project in his house."

Contractors usually do not run to their nearest home center when they see their tool belt is becoming rough around the edges. Connell of National Lumber said, "I've seen tool belts at job sites that are probably older than I am."

Diamond poll finds builders prefer Bush

(Continued from page 1)
"It's difficult to get into the minds of builders," Grubstein said. "But we know they have some strong opinions. For Diamond [the vote] was important because it was our way of serving our customers and giving our customers a voice."

Voter registration the goal

Wayne Nalls, Diamond's vp-marketing, said the mock election, which was held Oct. 4 between 5 p.m. and 8 p.m., was designed to excite Diamond's professional shoppers about the November election and to sign up those who weren't registered to vote.

The company mailed more than 35,000 invitations to contractors to ask them to participate in the "builder Presidential preference poll." Invitations to both presidential campaigns for the candidates or their representatives to address builders at store locations in Sacramento, Calif. or Bedford, N.H., were not accepted.

"It's important that both candidates pay attention to builders because they have concerns about interest rates, housing starts, low-income housing," Nalls said. "These are issues that have a lot to do with their livelihoods and the economy."

Nalls said the company was projecting about 10,000 contractor votes, but was satisfied with the 5,000. Voting officials throughout the country registered 225 builders.

Bush won in every geographic region where the company operates. But what surprised Nalls and other company officials was Bush's showing in the East, where he earned 64 percent of the vote and Dukakis 36 percent.

Other regional results were:

- Florida and the Southeast: Bush 65.9 percent/Dukakis 34.1 percent
- The Central Region (Kansas, Wyoming, Missouri, Colorado): Bush 71.9 percent/Dukakis 28.1
- California and the West: Bush 77.1 percent/Dukakis 22.9 percent.

Nalls said in some stores, particularly in California, some builders took umbrage at being asked whom they were voting for. And in other regions, particularly in New England, the company encountered some legal roadblocks registering people in the store and abandoned the effort.

But voting was spirited in other locales. Nalls said in a Lincoln, Mo., unit a store manager put an actual tree stump on the showroom floor so representatives from both parties could have a stump from which to debate.

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THE STOCK MARKET CRASH
Largest Industry Losers—One Year Later

Company	Closing Price Oct. 18, 1987	Closing Price Oct. 19, 1987	Closing Price Oct. 17, 1988
Grossman's	7⅜	5⅞	5⅝
General Bldg Prod.	8¼	7½	4⅜
Hechinger A	18¼	17	17¼
Home Depot	20	15½	28¾
K mart	34	25½	37
Lowe's	22½	19¼	22⅛
National Lumber	4¾	4½	2⅝
NHD Stores	6½	5½	7½
Payless Cashways*	16	12⅝	26⅞
Pay 'N Pak**	18½	16⅛	15¼
Scotty's	13⅞	12	12½
Standard Brands	23½	17½	15
Strober Organization	11½	9¼	9½
Wickes Cos.	14⅛	12½	7⅞
Wolohan Lumber	12¾	11½	15¼
Zayre	24¾	15⅝	26⅛

*On Oct. 7, 1988, when management took the company private in an LBO.
** On March 22, 1988, when PNP Prime, a holding company, took over the company in an LBO.
Source: *The Wall Street Journal* NHCN chart

Despite some drastic losses during Black Monday, Oct. 19, 1987, some industry stocks have recovered well, particularly Home Depot and Zayre. Others have remained somewhat flat since last year, while a few have continued to sink.

Pay 'N Pak unveils future plans, redesign to vendors

By John Caulfield

KENT, Wash. — The future of Pay 'N Pak as a private company will revolve around the operation of home centers that place greater emphasis on customer service, in-store merchandising and display, and the generation of higher gross margins.

The was the message more than 200 vendors heard during a presentation delivered by five Pay 'N Pak executives on Oct. 12, detailing where the 100-plus unit chain was headed financially and operationally over the next several years.

The convocation gave Pay 'N Pak officials a chance to showcase the chain's new store redesign format that is moving the company away from warehouse-style retailing to which it converted the bulk of its units two years ago.

The new concept was first installed into the company's Aurora, Wash., unit last November and has since been placed into 21 of Pay 'N Pak's stores. Over the next two years, the majority of Pay 'N Pak's stores will be converted from their current warehouse format to the new design, according to company officials.

The concept employs a new blue, gray and maroon color scheme, bold neon department signage, and greater emphasis on merchandising vignettes and home decor products. Conversely, lumber and building materials, while not eliminated, have been deemphasized, thereby presenting a shopping environment more conducive to female shoppers and higher-margin products. (*See story, page 55*).

"The stores are very sharp, beautiful," said John Mawdsley, director of national accounts for Skil Corp., which is Pay 'N Pak's exclusive power

(Continued on page 55)

Rickel opens newest store in the heart of a Bronx neighborhood

By an NHCN staff editor

NEW YORK — For many Americans, the Bronx means crack dealers peddling vials of death. It means skeletal, abandoned tenements, vacant lots steeped in filth, idled factories and grinding, hopeless poverty.

Yet, a Bronx of another sort awaits the traveler who ventures to the northeastern reaches of the New York City borough. There, surrounded by well-maintained, single-family houses and small, respectable apartment buildings rise the 25- and 33-story towers of Co-op City, a state-subsidized, middle-income housing complex of 15,000 apartments and 60,000 inhabitants.

The towers of the Bronx's Co-op City rise behind this newest Rickel store. NHCN photo

And amid the densely peopled brick spires, in the first phase of a one-story, suburban-style mall, stands the newest Rickel Home Center.

The 52,000-square-foot store's wide, well-lit aisles, abundant parking and well-stocked shelves might seem usual enough to most Americans, but the store has come as a revelation to Bronx shoppers accustomed to small, cluttered, high-priced, urban mom-and-pop hardware stores.

"It's been very enjoyable watching the response from the Co-op City folks," said Chuck Davis, president and ceo of the South Plainfield, N.J.-based 52-store chain.

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Crash's aftermath proves dire predictions mistaken

By Edward McKinley

NATIONAL REPORT — Dark clouds massed on the horizon a year ago as the Dow Jones Industrial Average plunged 508 points in a single day's frantic trading, deflating the value of home center stocks by an average of 22 percent.

The storm passed over, though, leaving most home centers unscathed. Business lagged only briefly—if at all— as the economy chugged along merrily despite dire economic forecasts. In time, most stocks rebounded.

Stock prices fell low enough to force some executives into using leveraged buyouts to fend off takeover attempts, but most public companies stayed on the exchange and the industry's reputation was unhurt on Wall Street, observers said.

The typical home center customer apparently was unfazed by the teeth gnashing in the world's financial markets over history's most precipitous stock price decline.

Ron Brill, cfo for the 88-unit Home Depot, said the Crash had "no effect" on the markets where the chain operates.

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John's Lumber sends employees packing . . . on a company cruise

By an NHCN staff editor

MT. CLEMENS, Mich. — John's Lumber is going on a cruise.

In January, John's two yards will close for a week. Instead of taking inventory, the 46 employees and families will bask in the sun on a well deserved, company-paid vacation in the Caribbean.

Last Christmas, president Michael Aggeler challenged employees to beat 1987 sales of $10.4 million. The campaign, called Teamwork '88, included every employee who

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Vinyl pleated blinds 'next big thing'?

Merchandising

By Edward McKinley

NATIONAL REPORT — Window treatment suppliers are readying a possible successor to the formerly red-hot vinyl miniblinds.

Industry sources said they are looking cautiously to inexpensive vinyl pleated shades as the "next big thing" in stock merchandise.

Suppliers want to bring the Asian-made shades to the mass market, capitalizing on the success of more costly polyester pleated shades in the custom market.

To realize that goal, the industry faces the chore of introducing consumers to the relatively unknown vinyl product, a project that suppliers said could require a year and a half of advertising and store displays.

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INSIDE

Home Fashions: Phil Lombardo, president of the Floor To Ceiling unit in South County St. Louis, consults with two kitchen installers. As home centers diversify into home fashions, they will find themselves going head-to-head more frequently with specialty operations like Floor To Ceiling that offer strong in-store presentations, expert service, and appeal broadly to female shoppers.

NEWSBREAKS

HECHINGER CLARIFIES BRADLEES STORE SALE: The Landover, Md., chain said a real estate consultant's bid sheet, which offered "any and all" of the 47 units it purchased from Bradlees in August, misstated the company's intentions. A Hechinger spokesperson reiterated that the chain intends to retain half of these stores and to begin converting them to Hechinger units in the near future. Parties interested in the Bradlees units have until Nov. 4 to make bids on the available sites.